



# REPORT TO THE

# BOARD OF AIRPORT COMMISSIONERS

*Nerida Esguerra-Olivares*

Approved by: Nerida Esguerra-Olivares, Director of Finance

*Tatiana Starostina*

Reviewed by: Tatiana Starostina, Deputy Executive Director,  
Chief Financial Officer

*D. Di*

City Attorney

Justin Erbacci, Chief Executive Officer

Meeting Date:

6/3/2021

CAO Review:

- Completed
- Pending
- N/A

<u>Reviewed for</u>	<u>Date</u>	<u>Approval Status</u>	<u>By</u>
Finance	5/26/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	JS
CEQA	5/25/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	VW
Procurement	5/26/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cond	QM
Guest Experience	5/25/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	TB
Strategic Planning	5/25/2021	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	KC

## SUBJECT:

Approve the Fiscal Year 2021-22 Landing Fees and Other Charges for Los Angeles International Airport, effective July 1, 2021 through June 30, 2022, which will generate approximately \$269 million in landing fee revenue, and Rescind Resolution Nos. 27173 and 27056.

## RECOMMENDATIONS:

Management RECOMMENDS that the Board of Airport Commissioners:

1. ADOPT the staff report.
2. DETERMINE that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1 (31) of the Los Angeles City CEQA Guidelines.
3. APPROVE the Fiscal Year 2021-22 Landing Fees and Other Charges at Los Angeles International Airport, effective July 1, 2021 through June 30, 2022, as detailed in the staff report.
4. RESCIND Resolutions 27173 and 27056, both relating to previous fiscal year's landing fees and other charges at Los Angeles International Airport.
5. ADOPT the attached resolution.

## **DISCUSSION:**

### **1. Background**

The COVID-19 pandemic negatively impacted both airport and airline operations. Airports have been acutely impacted by the reductions in passenger volumes and flights, as well as by the broader economic shutdown. The pandemic had an adverse effect on domestic and international travel and travel related industries, including airlines and concessionaires. Also, the decline in passenger traffic caused all “activity-based” rates and charges (e.g., landing fees, common use charges, the Federal Inspection Services rate, among others) to increase significantly.

In response, Los Angeles World Airports (LAWA) developed the “Airline Cost Stability and Recovery Plan” aimed at managing rates and charges at Los Angeles International Airport (LAX) through fiscal year 2023. The key objectives of this plan are to: 1) make LAX rates and charges more competitive; 2) mitigate the increase in rates and charges for airlines due to reduced aviation activity; 3) unify common use costs across the airport; and 4) achieve stability in LAX financial operations during the recovery from COVID-19.

As part of the Airline Cost Stabilization and Recovery Plan, Los Angeles World Airports have completed taking over the operations and maintenance and rate setting responsibilities for the common use facilities from Tom Bradley International Terminal Equipment Company, an airline consortium. There are several actions that are now required in order to complete the rate stabilization and harmonization efforts and establish Fiscal Year 2021-22 rates and charges: (1) amend the methodology for establishing rates and charges for the use of terminal facilities and equipment (“Amended Rate Methodology”); (2) amend and restate the Amended and Restated Rate Agreement (Further Amended and Restated Rate Agreement); (3) revise terminal rates and charges to include costs previously collected by the consortium and cost reduction and deferral measures per the Airline Cost Stabilization and Recovery Plan; (4) revise landing and apron fees to include cost deferrals, per the Airline Cost Stabilization and Recovery Plan.

This Board Report requests the approval of the landing and apron fees revisions based on the Airline Cost Stabilization and Recovery Plan (Action 4). The other actions are brought to the Board of Airport Commissioners in separate and concurrent Board Reports.

### **2. Purpose**

Approval of Fiscal Year 2021-22 landings fees and other rates and charges to be charged to air carriers for use of airfield and apron facilities at LAX, effective July 1, 2021 through June 30, 2022.

### **3. Prior Related Actions**

- **May 7, 2020 - Resolution No. 27015**

The Board approved the acceptance of Coronavirus Aid, Relief, and Economic Security (CARES) Airport Program funds from the Federal Aviation Administration, which are formula-based emergency allocations to help fund the continued operations of LAX and VNY, intended to supplant lost revenues from the decline in passenger traffic and other airport business due to the COVID-19 public health emergency.

- **June 18, 2020 – Resolution 27056**

The Board of Airport Commissioners (Board) approved the FY2020-21 Landing Fee Rates of (i) \$11.01 per 1,000 pounds of maximum gross landed weight (MGLW) for permitted air carrier-passenger aircraft, and (ii) \$8.20 per 1,000 pounds of MGLW for permitted air carrier-cargo aircraft and various other fees at LAX effective July 01, 2020 through December 30, 2020. The Board also approved deferring the implementation of these new rates and instead continued to charge and collect the Board-approved FY2019-20 rates.

- **December 10, 2020 – Resolution 27173**

The Board of Airport Commissioners (Board) approved the FY2020-21 Mid-year Landing Fee Rates of (i) \$7.19 per 1,000 pounds of maximum gross landed weight (MGLW) for permitted air carrier-passenger aircraft, and (ii) \$5.61 per 1,000 pounds of MGLW for permitted air carrier-cargo aircraft and various other fees at LAX effective January 1, 2021 through June 30, 2021.

#### **4. Current Action**

Landing fees are assessed to passenger and cargo air carriers using landing facilities at LAX. The management of LAWA sets the landing fees in accordance with the non-exclusive Air Carrier Operating Permit between the City of Los Angeles and various air carriers at LAX. The fees are calculated mainly based on budgeted costs and forecasted landing weights for the fiscal year. Also, in accordance with the Air Carrier Operating Permit, landing fee rates may be adjusted up to two times each fiscal year, after consultation with the air carriers.

At the end of the fiscal year, based on all actual costs and reported landing weights by air carriers, staff will conduct a final year-end reconciliation of budget to actual results to determine the actual landing fee rates for permitted air carriers. A true-up would then occur with the air carriers to address any over- or under-payments.

#### **Fiscal Year 2021-22 Landing Fees and Other Charges**

Pursuant to Resolution No. 27056, the Fiscal Year 2020-21 rates, although adopted, were not implemented, due to a significant increase in the rates, which would have put a disproportionate burden on those airlines still operating at LAX, and potentially could impact the reinstatement of the air service disrupted by COVID-19. Instead, the Board extended the use of Fiscal Year 2019-20 adopted landing fees and other charges at LAX, until December 31, 2020. Then, Resolution 27173 implemented mid-year landing fees and other charges effective January 1, 2021 until June 30, 2021, which included elements of the multi-year Airline Cost Stabilization and Recovery Plan, including, debt restructuring and the use of CARES Act grants to pay airfield and apron costs. As a result, the average landing fee rate in effect for Fiscal Year 2020-21 was reduced from the budgeted \$11.01 per 1,000 pounds of MGLW for passenger carriers and \$8.20 per 1,000 pounds of MGLW for cargo carriers, to

\$6.13 and \$4.77 respectively. These reductions were achieved due to the application of \$46 million in CARES Act grant funds and a deferral of \$68 million of capital costs.

As a result of the implementation of the Airline Cost Stabilization and Recovery Plan and a forecasted increase in the Fiscal Year 2021-22 landed weight, staff was able to reduce the landing fee rates for Fiscal Year 2021-22. The proposed landing fee rate for permitted air carrier passenger aircraft is \$5.42, which is \$0.71, or 11.6% lower than the Fiscal Year 2020-2021 average effective rate of \$6.13. The Fiscal Year 2021-22 proposed landing fee rate for cargo carriers is \$3.98, which is \$0.79, or 16.6% lower than the Fiscal Year 2020-2021 average effective rate of \$4.77.

The total amount of landing fee revenues projected in Fiscal Year 2021-22 is \$269 million, which is lower than last year's budgeted operating revenue of \$311 million, due to \$59.8 million of proposed debt restructuring under the Airline Cost Stabilization and Recovery Plan. The restructured debt service costs will be recovered from the airlines through the future landing fee rates.

The aircraft parking charges are applied to all aircraft (both passenger airlines and cargo carriers/remote commuters) using public/non-exclusive aircraft hardstand-parking positions, and are not subject to reconciliation.

LAWA management consulted with the LAX Airline Airport Affairs Committee (AAAC) on April 28, 2021. Airline representatives were provided documentation concerning the budget, landing fees, and other relevant supporting information.

The proposed Fiscal Year 2021-22 landing fee rates and other charges for use of LAX facilities are summarized in the following table.

LAX Landing Fees - Budget		FY2022 Proposed Budget	FY2021 Mid- Year*	FY2021 Adopted	FY2021 Deferral Period
Term		7/1/21 through 6/30/22	1/1/21 through 6/30/21	7/1/20 through 6/30/21, not implemented	7/1/20 through 12/31/20
<b>Aircraft over 25,000 pounds</b>					
Permitted-Passenger (per 1,000 lbs)		\$5.42	\$7.19	\$ 11.01	\$5.08
Permitted-Cargo (per 1,000 lbs)		\$3.98	\$5.61	\$ 8.20	\$3.93
Permitted Commuters Not Using Terminal Aprons (per 1,000 lbs)		\$3.98	\$5.61	\$ 8.20	\$3.93
<b>Non-Permitted Passenger (per 1,000 lbs)</b>					
Non-Permitted Passenger (per 1,000 lbs)		\$6.78	\$8.99	\$13.76	\$6.35
<b>Non-Permitted Cargo (per 1,000 lbs)</b>					
Non-Permitted Cargo (per 1,000 lbs)		\$4.98	\$7.01	\$10.25	\$4.91
<b>Non-Permitted Commuters Not Using Terminal Aprons (per 1,000 lbs)</b>					
Non-Permitted Commuters Not Using Terminal Aprons (per 1,000 lbs)		\$4.98	\$7.01	\$10.25	\$4.91
<b>Aircraft 25,000 pounds or less</b>					
<u>Permitted Airlines</u>					
Aircraft 12,500 pounds or less (per landing)		\$70.00	\$93.00	\$143.00	\$66.00
Aircraft over 12,500 up to 25,000 pounds (per landing)		\$136.00	\$180.00	\$275.00	\$127.00
<u>Non-Permitted Airlines</u>					
Aircraft 12,500 pounds or less (per landing)		\$88.00	\$116.00	\$179.00	\$83.00
Aircraft over 12,500 up to 25,000 pounds (per landing)		\$170.00	\$225.00	\$344.00	\$159.00
<b>Ramp Charges</b>					
each 15-minute period or fraction thereof after airline has been given notice that airport operations require that the aircraft leave the area		\$100.00	\$100.00	\$100.00	\$100.00
each 10-minute period or fraction when aircraft is double-parked or in a position other than a regular gate position and the airline has been given notice to leave the area		\$100.00	\$100.00	\$100.00	\$100.00
each 15-minute period or fraction thereof in excess of 30 minutes for the cleanup of fuel spills		\$100.00	\$100.00	\$100.00	\$100.00
<b>Public/Non-exclusive Aircraft Parking Charges</b>					
<u>Maximum Gross Landed Weight</u>	<u>Hours Parked</u>				
Aircraft below 500,000 lbs.	≤ 3 hrs	No charge	No charge	No charge	No charge
	3 hrs > x ≤ 6 hrs	\$60.00	\$110.00	\$110.00	\$90.00
	6 hrs > x ≤ 12 hrs	\$90.00	\$153.00	\$153.00	\$122.00
	Daily Rate* (> 12 hrs)	\$126.00	\$213.00	\$213.00	\$170.00
Aircraft 500,000 lbs. or above	≤ 3 hrs	No charge	No charge	No charge	No charge
	3 hrs > x ≤ 6 hrs	\$90.00	\$153.00	\$153.00	\$122.00
	6 hrs > x ≤ 12 hrs	\$90.00	\$153.00	\$153.00	\$122.00
	Daily Rate* (> 12 hrs)	\$140.00	\$230.00	\$230.00	\$180.00

\* Mid-year rates required to fulfill airfield and apron requirements

### Use by Government Aircraft

Pursuant to Federal Grant Assurance #27 (use by government aircraft), LAWA allows federal government agencies to land/takeoff and park their aircraft free of charge.

## Compensatory Methodology

LAX uses the compensatory methodology to calculate the landing and apron fee rates. Under the compensatory methodology, LAX recovers costs associated with providing airfield and apron-related services and facilities to air carriers. Non-airfield and non-apron related costs cannot be charged to the air carriers and must be recovered through other operating revenues. A compensatory landing fee structure allows an airport to recover its costs from the users of the airfield facilities without offsetting these costs with non-aviation revenues.

Under the LAX landing fee methodology, the airport is divided into seven cost centers. These cost centers were established to account for costs incurred by LAWA to maintain, operate, and administer LAX. There are five direct cost centers, each of which is related to a defined geographical area of the airport that serves a particular function, and two indirect cost centers, which are related to service type functions that support the direct cost centers.

The direct and indirect cost centers are as follows:

### *Direct Cost Centers*

- Airfield Cost Center
- Apron Cost Center
- Terminal Cost Center
- Aviation Cost Center
- Commercial Cost Center

Examples of costs directly charged to the Airfield Cost Center include:

- Airside Construction Inspection
- LAX Airfield Permits

Examples of costs directly charged to the Apron Cost Center include:

- Airfield Bus Maintenance
- Bus Operations

Examples of costs directly charged to the Terminal Cost Center include:

- Terminal Duty Operations
- CTA Customer Service Representatives

Examples of costs directly charged to the Aviation Cost Center include:

- Leasing and Development
- Aviation-related Project Planning and Development Costs

Examples of costs directly charged to the Commercial Cost Center include:

- Landside Parking Services

### *Indirect Cost Centers*

- General Administration
- Access

Examples of costs charged to the General Administration Cost Center include:

- Legal Services Division
- Human Resources

Examples of costs charged to the Access Cost Center include:

- Maintenance Services (on automobile vehicle roadways)
- Flyaway Bus Operations Contracts

Staff also requests the Board rescind Resolutions 27173 and 27056.

***How this action advances a specific strategic plan goal and objective***

This action advances this strategic goal and objective: *Sustain a Strong Business: Diversify and grow revenue sources, and manage costs.* Landing fees are a key aeronautical operating revenue component and, on average, contribute approximately 20% of the total operating revenues at LAX. The adoption of these rates will ensure that costs of operating the airport are recovered in a timely manner.

***Fiscal Impact***

LAX's landing fee methodology is designed to allow LAWA to recover from air carriers those costs incurred in maintaining and operating airfield and apron-related services and facilities. The methodology to calculate the Landing Fee is directly tied to operating expenses allocated through an established group of direct and indirect cost centers.

Approval of this item will result in projected \$269 million in Landing Fee revenues (and \$1.2 million in Public Plane Parking revenue) for Los Angeles World Airports in Fiscal Year 2021-22. The \$269 million in projected Landing Fee revenue would be paid by the airlines in Fiscal Year 2021-22. Under the Airline Cost Stabilization and Recovery Plan, LAWA would defer approximately \$59.8 million of capital costs through debt restructuring. The restructured debt service costs will be recovered through landing fee and apron rates in the future.

**5. Alternatives Considered**

- ***Take No Action***  
Pursuant to Los Angeles City Charter, Section 632(a), the BOAC has the power and duty to fix and collect rates and charges for the use of airport assets and any other services provided by LAWA.

**APPROPRIATIONS:**

No appropriation of funds is required for this action.

**STANDARD PROVISIONS:**

1. Establishment or modification of any rate, fee or charge is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article III, Class 1 (31) of the Los Angeles City CEQA Guidelines.

2. The City Attorney has approved this item.
3. Actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 245.
4. This action is not subject to the provisions of the Living Wage/ Worker Retention Ordinances.
5. This action is not subject to the provisions of the Business Enterprise (BE) Programs.
6. This action is not subject to the provisions of the Affirmative Action Program.
7. This action does not require a Business Tax Registration Certificate number.
8. This action is not subject to the provisions of the Child Support Obligations Ordinance.
9. This action is not subject to the insurance requirements of the Los Angeles World Airports.
10. This action is not subject to the provisions of Charter Section 1022 (Use of Independent Contractors).
11. This action is not subject to the provisions of the Contractor Responsibility Program.
12. This action is not subject to the provisions of the Equal Benefits Ordinance.
13. This action is not subject to the provisions of the First Source Hiring Program.
14. This action is not subject to the provisions of Bidder Contributions CEC Form 55.
15. This action is not subject to the provisions of the Municipal Lobbying Ordinance CEC Form 50.
16. This action is not subject to the provisions of the Iran Contracting Act.

***Attachment***

- (A) Landing Fee Calculation from July 1, 2021 through June 30, 2022
- (B) Landing Fee Resolution



Los Angeles International Airport  
Airfield & Apron Rate Calculation  
FY 2022 Budget Rates

Attachment A

Airfield Rate	Ref	Budget			2021	Fav (Unfav) Variance		increase (Decrease) LF Rate
		2022	Mitigation	2022		\$	%	
Operating Expense	T.2	166,405,936		166,405,936	162,593,352	\$ (3,812,584)	-2.34%	\$ 0.07
Amortization Expense	T.5	33,745,668		33,745,668	24,087,827	(9,657,841)	-40.09%	0.18
Debt Service Expense	T.6	67,192,066	(46,300,000)	20,892,066	63,210,735	42,318,669	66.95%	(0.79)
Debt Service Coverage		-		-	-	-		-
Build America Bonds Subsidy	T.6.1	(13,915,168)		(13,915,168)	(7,047,284)	6,867,884	-97.45%	(0.13)
Net Debt Service Expense		53,276,898	(46,300,000)	6,976,898	56,163,451	49,186,553	87.58%	(0.92)
Reserves	T.7	-		-	-	-	0.00%	-
Van Nuys Reliever Net Costs	T.8	3,271,306		3,271,306	511,984	(2,759,322)	-538.95%	0.05
Total Costs		\$ 256,699,808	\$ (46,300,000)	\$ 210,399,808	\$ 243,356,615	\$ 32,956,807	13.54%	\$ (0.62)
Landing Units in 1,000s	T.9	52,919,302		52,919,302	29,675,653	\$ 23,243,649	78.33%	(3.60)
Rate Per 1,000 # unit		\$ 4.85		\$ 3.98	\$ 8.20	4.22	51.46%	\$ (4.22)
<b>Apron Rate</b>								
Operating Expense	T.2	\$ 45,223,557		\$ 45,223,557	42,694,864	(2,528,693)	-5.92%	\$ 0.06
Amortization Expense	T.5	9,205,609		9,205,609	6,072,976	(3,132,633)	-51.58%	0.08
Debt Service Expense	T.6	17,826,479	(13,500,000)	4,126,479	18,049,356	13,922,877	77.14%	(0.34)
Debt Service Coverage		-		-	-	-		-
Reserves	T.7	-		-	-	-	0.00%	-
Total Costs		\$ 72,055,645	\$ (13,500,000)	\$ 58,555,645	\$ 66,817,196	8,261,551	12.36%	(0.20)
Landing Units in 1,000s	T.9	40,713,824		40,713,824	23,764,329	16,949,495	71.32%	(1.17)
Rate Per 1,000 # unit		\$ 1.77		\$ 1.44	\$ 2.81	\$ 1.37	48.75%	\$ (1.37)
Combined Rate		\$ 6.62		\$ 5.42	\$ 11.01	\$ 5.59	50.77%	\$ (5.59)
Decr/(Incr) vs FY21 Rate		\$ 4.39		\$ 5.59				
Project Landing Fee Revenue - Passengers		\$ 269,525,514		\$ 220,668,925	\$ 261,645,262			
Projected Landing Fee Revenue Cargo		\$ 59,196,571		\$ 48,577,804	\$ 48,472,857			
		\$ 328,722,084		\$ 269,246,729	\$ 310,118,119			

ATTACHMENT "B"

**RESOLUTION NO.** - APPROVAL OF RESOLUTION COVERING LANDING FEES, RAMP, APRON AND PUBLIC/NON-EXCLUSIVE AIRCRAFT PARKING CHARGES AT LOS ANGELES INTERNATIONAL AIRPORT FOR FY2021-22, AND RESCISSION OF RESOLUTION NOS. 27173 AND 27056.

RECOMMENDATION: Approval of Resolution covering landing fees, ramp, apron and public/non-exclusive aircraft parking charges at Los Angeles International Airport for FY2021-22 and rescission of Resolution Nos. 27173 and 27056.

WHEREAS, the Board of Airport Commissioners, in accordance with Section 632(a) of the City Charter of Los Angeles, is authorized to fix and collect rates and charges for the use of lands, property and facilities controlled by the City of Los Angeles in accommodation of air commerce.

WHEREAS, it is recommended that Resolution Nos. 27173 and 27056 be rescinded and that effective July 1, 2021 the definitions, rates, charges, fees and reporting requirements set forth herein shall apply to all aircraft using the facilities at Los Angeles International Airport and owned and operated by the City of Los Angeles, except as otherwise expressly provided herein:

Section 1. Definitions

- (a) "Air Carrier" – Any person, or persons, including corporations, that undertakes, whether directly or indirectly or by lease or any other arrangement, to engage in air commerce, that is certified by the Federal Aviation Administration (FAA), and that holds a current FAA certificate to transport air passengers or property for hire.
- (b) "Aircraft" - Any heavier-than-air fixed or rotary wing vehicle used or designed for flight.
- (c) "Board" - The Board of Airport Commissioners of the City of Los Angeles.
- (d) "City" - The City of Los Angeles.
- (e) "Chief Executive Officer" - The Chief Executive Officer of the Los Angeles World Airports.
- (f) "LAWA" – Los Angeles World Airports, also known as the Department of Airports of the City of Los Angeles.
- (g) "LAX" – Los Angeles International Airport.
- (h) "Ferry Landings" – Landings of Aircraft without revenue passengers and/or cargo on board, operated by an Air Carrier other than a non-scheduled or on-demand air taxi operator, at an airport owned or operated by City for the purpose of positioning Aircraft to enplane passengers, and/or cargo for originating a flight.
- (i) "Maximum Gross Landing Weight" or "MGLW" - The FAA Certificated Maximum Gross Landing Weight or actual gross landing weight of Aircraft if no such specification exists. In computing fees prescribed in this Resolution, except for

Aircraft weighing less than 25,000 lbs., 500 pounds or any larger part of 1,000 lbs. shall be counted as if a whole 1,000 lbs. and any smaller part shall be disregarded.

- (j) "Non-Permitted Air Carrier Passenger" - An Air Carrier that transports either passengers or both passengers and cargo for compensation and that has not signed an LAX Air Carrier Operating Permit.
- (k) "Non-Permitted Air Carrier Cargo" - An Air Carrier that transports cargo but not passengers for compensation and that has not signed an LAX Air Carrier Operating Permit.
- (l) "Permitted Air Carrier Passenger" - An Air Carrier that transports either passengers, or both cargo and passengers for compensation and that has executed an LAX Air Carrier Operating Permit under authority granted by the Board.
- (m) "Permitted Air Carrier Cargo" - An Air Carrier that transports cargo but not passengers for compensation and that has executed an LAX Air Carrier Operating Permit under authority granted by the Board.
- (n) "Public/Non-exclusive Aircraft Parking Areas" - Those areas which are designated by the Chief Executive Officer or her designee and available in common with other Air Carriers for the public/non-exclusive parking of Aircraft; subject, however, to changes therein at the discretion of the Chief Executive Officer or his or her designee at any time.
- (o) "Revenue Landings" – Each landing of an Aircraft at LAX, except the following:
  - (i) landings of an Aircraft owned and operated by agencies of the U.S. Government<sup>1</sup>;
  - (ii) landing of an Aircraft that departs from LAX and returns, without having landed at another airport, for meteorological, mechanical, safety or any other emergency purpose;
  - (iii) landing of an Aircraft during training flights;
  - (iv) landing of an Aircraft during maintenance test flights;
  - (v) Ferry Landings

## Section 2. Landing Fee Rate

Permitted Air Carriers and Non-Permitted Air Carriers shall pay a landing fee for each Revenue Landing of an Aircraft operated by such Air Carrier. The landing fee shall be an amount equal to the product of (i) the number of 1,000 lbs. of Maximum

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<sup>1</sup> Pursuant to Federal Grant Assurance #27 (Use by Government Aircraft), LAWA allows federal government agencies to land/takeoff and park their aircraft free of charge.

Gross Landing Weight (MGLW) of an Air Carrier's Revenue Landing multiplied by (ii) the landing fee rate.

(a) Landing Fee Rate for Permitted Air Carriers

- (i) \$70.00 for each landing of Aircraft having a MGLW of 12,500 lbs. or less.
- (ii) \$136.00 for each landing of Aircraft having a MGLW of more than 12,500 lbs. up to and including 25,000 lbs.
- (iii) \$3.98 per 1,000 lbs. of MGLW for each landing by a Permitted Air Carrier Cargo having a MGLW of more than 25,000 lbs. This rate also applies to permitted commuter air carriers which do not use the terminal aprons.
- (iv) \$5.42 per 1,000 lbs. of MGLW for each landing by a Permitted Air Carrier Passenger having a MGLW of more than 25,000 lbs.

(b) Landing Fee Rate for Non-Permitted Air Carriers

- (i) \$88.00 for each landing of Aircraft having a MGLW of 12,500 lbs. or less.
- (ii) \$170.00 for each landing of Aircraft having a MGLW of more than 12,500 lbs. up to and including 25,000 lbs.
- (iii) \$4.98 per 1,000 lbs. of MGLW for each landing by a Non-Permitted Air Carrier Cargo having a MGLW of more than 25,000 lbs. This rate also applies to non-permitted commuter air carriers which do not use the terminal aprons.
- (iv) \$6.78 per 1,000 lbs. of MGLW for each landing of Non-Permitted Air Carrier Passenger having a MGLW of more than 25,000 lbs.

Section 3. Ramp, Apron and Remote Area Fees

Air Carriers using the ramp, apron and remote areas shall be charged the following Ramp, Apron and Remote Area Fees:

- (a) \$100.00 for each 15-minute period or fraction thereof after the Air Carrier has been given notice by the Chief Executive Officer that Airport Operations requires that the aircraft leave the area. The period to be used for calculating this charge shall begin 15 minutes after such notice has been given.
- (b) \$100.00 for each 10-minute period or fraction thereof when an Aircraft is double-parked or in a position other than at a regular gate position and the Air Carrier has been given notice by the Chief Executive Officer that Airport Operations requires that the aircraft leave the area. The period to be used

for calculating this charge shall begin five minutes after such notice has been given.

- (c) \$100.00 for each 15-minute period or fraction thereof in excess of 30 minutes for the clean-up of fuel spills.

**Section 4. Public/Non-exclusive Aircraft Parking Fees**

Air Carriers using the Public/Non-exclusive Hardstand Aircraft Parking Areas shall be charged the following Aircraft Parking Fees:

- (a) Air Carriers shall be subject to the Aircraft Parking Fee for the parking of Aircraft in Public/Non-exclusive Aircraft Parking Areas.

<b>Maximum Gross Landed Weight</b>	<b>Hours Parked</b>	<b>Rates</b>
Aircraft below 500,000 lbs.	≤ 3 hrs	No charge
	3 hrs > x ≤ 6 hrs	\$ 60.00
	6 hrs > x ≤ 12 hrs	\$ 90.00
	Daily Rate* (> 12 hrs)	\$ 126.00
Aircraft 500,000 lbs. or above	≤ 3 hrs	No charge
	3 hrs > x ≤ 6 hrs	\$ 90.00
	6 hrs > x ≤ 12 hrs	\$ 90.00
	Daily Rate* (> 12 hrs)	\$ 140.00

\* The Daily Rate will apply for each full or partial day that the aircraft is parked after the first 24 hours.

- (b) Air Carriers shall submit a monthly report listing the MGLW, Aircraft Parking Area locations, dates and times their Aircraft were parked at LAX. Payment of Aircraft Parking Fees shall accompany each report.

## Section 5. Summary of Air Carrier Rate Setting Methodology Cost Centers

Cost centers mean those functions or physically discrete areas which are used to accumulate costs incurred by the Department to provide, maintain, operate, and administer LAX. There are two types of cost centers used in the cost of services methodology: (1) direct cost centers which are each related to a defined geographical area of LAX that serves a particular function and (2) indirect cost centers which are related to service type functions that support the direct cost centers. The following is a description of each direct and indirect cost center.

### *Direct Cost Centers*

Airfield Cost Center - Airfield Cost Center is comprised of the land and facilities which support air navigation and flight activities, including Aircraft access to, and egress from, apron areas. Land and facilities include runways, taxiways, approach and clear zones, navigation and related easements, infield areas, safety areas, remote areas for public/non-exclusive aircraft hardstand parking positions (that do not have passenger support facilities, i.e., jet bridges to load and unload passengers) and landing and navigational aids.

Apron Cost Center - Apron Cost Center is comprised of the land and paved areas primarily adjacent to passenger terminal buildings, but does not include aprons associated with general aviation, cargo, or Aircraft maintenance facilities.

Terminal Cost Center - Terminal Cost Center is comprised of the land and all passenger terminal buildings and other related and appurtenant facilities whether owned, operated, or maintained by LAWA. Facilities include the passenger terminal buildings located in the Central Terminal Area (CTA), passenger terminal buildings located outside the CTA, associated concourses, hold rooms, passenger tunnels, and all other facilities which are integral parts of the passenger terminal buildings.

Aviation Cost Center - Aviation Cost Center is comprised of the land and facilities related to air cargo, general aviation, FBO operations, Aircraft fueling, exclusive parking positions, Aircraft maintenance, Air Carrier services, and other aviation-related activities.

Commercial Cost Center - Commercial Cost Center is comprised of the land and facilities not located in passenger terminal buildings which are provided for non-aeronautical commercial and industrial activities, including for example, public automobile parking, car rental service centers, golf courses, the Theme Building, and the Proud Bird Restaurant.

### *Indirect Cost Centers*

General Administration - General Administration includes the general administrative and support costs related to providing, maintaining, operating and administering the LAX which cannot be directly allocated to cost centers.

Access - Access includes the costs of providing, maintaining, operating, and administering facilities and services for on-LAX and off-LAX ground access for vehicles and pedestrians, including airside and landside access, and LAX access generally. It also includes the costs of increasing, preserving, or managing the throughput capacity of LAX's access facilities, that is, the volume of, and rate at which, users can be accommodated.

#### *Cost Elements*

The following is a description of the cost elements allocated to the direct and indirect cost centers.

Operating Expenses - Operating expenses include salary, employee benefit, material and supply, and contractual service expenses. The operating expenses used to calculate rates which are placed into effect at the beginning of a fiscal year reconciled back to the official operating budget document of the Department, subject to certain adjustments for items such as cost reimbursements, capitalized labor expense, and other items.

Capital Items Costing Less than \$100,000 - All expenditures for individual capital items whose local cost (i.e., cost net of PFCs, grants, and other contributed capital) is less than \$100,000 are expensed for the calculation of landing fees, notwithstanding what treatment might be required for accounting or other purposes.

Debt Service - Debt service means the amounts related to principal and interest on debt obligations as required in debt contracts of the Department.

Amortization on Locally-Funded Assets Costing \$100,000 or More - All individual assets whose local costs (i.e., asset cost net of PFC's, grants, and other contributed capital) are \$100,000 or more are subject to amortization.

Amortization means the amount necessary to recover the original capital investment (plus interest) over the life of the asset in the form of equal monthly payments. Amortization is calculated over the useful life of each asset at an interest rate equal to the yield on 30-year Treasury securities as of December 31<sup>st</sup>.

Debt Service Coverage - Debt service coverage means the margin of safety for payment of debt service, reflecting the amount by which "earnings" must exceed "debt service" pursuant to the provisions of the debt contracts.

Required Deposits to Bond Accounts - Required deposits to bond accounts means the amount of annual deposits, if any, to funds and to accounts required under debt contracts which are obligations of the Department, e.g., operating reserve fund, reserve maintenance fund, debt service reserve fund.

Van Nuys Reliever Net Costs - Van Nuys is the largest general aviation airport in the United States. The use of Van Nuys by general aviation increases the ability of scheduled Air Carriers to use LAX facilities. The net costs of the Van Nuys reliever airport mean the amount, if any, by which the costs of Van Nuys exceed its operating revenue and allocable non-operating revenue. The Van Nuys costs are comprised of the same cost elements used to determine LAX costs.

### *Cost Allocation*

Operating Costs - The Department's cost accounting system tracks salary and material/supply costs to cost centers. Both labor time and material/supply costs are charged to these cost centers by individual employees. Direct salary and benefits expenses for each Division are tracked to the five direct and two indirect cost centers. Material and supply expense and equipment expense are charged to the division's organization cost centers and to location cost centers where material and supplies are used or services are rendered. Insurance premiums and City Special Services – Crash, Fire, and Rescue are singled out for special allocations.

Capital Costs - Projects and fixed assets records are analyzed to determine the projects (or assets) which have been financed by the Department from all sources of funds. The ratio of the cost of bond-funded assets by cost center formed the basis for allocating (1) debt service, (2) debt service coverage, and (3) required deposits to bond accounts for each outstanding debt obligation of the Department. Locally-funded projects are traced to individual cost centers to which the appropriate amortization expenses are assigned.

### Cost Allocation Detail

The following is a detailed listing of the allocation basis for each cost element:



<b>Cost Element</b>	<b>Allocation Basis</b>
<u>Salaries and Benefits Expense</u> For each Division	Direct charge to cost center where possible
<u>Material and Supply Expense</u> For each Division	Direct charge to cost center where possible
<u>Contract Services Expense</u> For each Division	Direct charge to cost center where possible
<u>Equipment and Vehicle Expense</u> For each Division	Direct charge to cost center where possible
<u>Insurance Expense</u> Fire & Extended Boiler & Machinery Property Liability & Property Damage	Distribution % from Risk Management - based on insured values of property - based on insured values of property - based on historical claims
<u>Required and Discretionary Reserves</u> Debt Service Reserve	Ratio of each series' bond Principal & Interest by cost center
Debt Service Coverage	Ratio of each series' bond Principal & Interest by cost center
Deposit to Reserve for M&O	Ratio of O&M expenses by Direct cost center
<u>City Services-CFR</u> Crash 80 Other Flightline resources Non-Flightline resources	100% Airfield 100% Airfield Ratio of insurance premiums
<u>Security Costs</u> Airport Police, LAPD	- mainly based on deployment study agreed upon with airlines (Matrix study)
<u>Indirect Cost Centers</u> General Administration Access	Ratio of O&M expense by cost center Ratio of land area by cost center <sup>2</sup>

### Landing Fee Calculation

Costs accumulated in the Airfield Cost Center are apportioned among all users of airfield based upon aircraft landed weight. Costs accumulated in the Apron Cost Center are apportioned by weight among all passenger airlines using the facilities in said cost center.

A mid-year review should be made by the Department of cost and operational information with the Board adjusting landing fees for the remainder of the year if the variances warrant such an adjustment. A landing fee calculation should be performed based upon actual expenses as soon as feasible following the close of the fiscal year. Reconciliation between actual expenses and budgeted landing fees will result in a variance that can be settled by invoice or credit to the users. Plane parking charges are not subject to reconciliation.

<sup>2</sup> Land areas were adjusted to equalize areas attributable to the Terminal and Airfield cost centers so that the allocation of Access costs would affect the Terminal and Airfield cost centers equally.

Documentation concerning the landing fee calculation and other information relevant to the landing fee for FY2021-22 were provided to airline representatives prior to this action; and

WHEREAS, the Board Report associated with this resolution shall be incorporated by reference; and

WHEREAS, this action is exempt from the California Environmental Quality Act pursuant to Article III, Class 1 (31) of the Los Angeles City CEQA Guidelines; and

WHEREAS, actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 245;

NOW, THEREFORE, BE IT RESOLVED that the Board of Airport Commissioners determined that this action is exempt from the California Environmental Quality Act requirements; adopted the staff report; approved the schedule of Fiscal Year 2021-22 rates and charges at Los Angeles International Airport effective July 1, 2021 through June 30, 2022; and approved rescission of Resolution Nos. 27173 and 27056.